

Table 1
CA Technologies
Consolidated Statements of Operations
(unaudited)
(in millions, except per share amounts)

	Three Months Ended	
	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Revenue:		
Subscription and maintenance	\$ 817	\$ 826
Professional services	75	77
Software fees and other	133	96
Total revenue	<u>\$ 1,025</u>	<u>\$ 999</u>
Expenses:		
Costs of licensing and maintenance	\$ 71	\$ 68
Cost of professional services	73	75
Amortization of capitalized software costs	70	66
Selling and marketing	246	242
General and administrative	107	88
Product development and enhancements	158	148
Depreciation and amortization of other intangible assets	26	20
Other expenses, net	11	-
Total expenses before interest and income taxes	<u>\$ 762</u>	<u>\$ 707</u>
Income before interest and income taxes	<u>\$ 263</u>	<u>\$ 292</u>
Interest expense, net	25	15
Income before income taxes	<u>\$ 238</u>	<u>\$ 277</u>
Income tax expense	60	79
Net income	<u><u>\$ 178</u></u>	<u><u>\$ 198</u></u>
Basic income per common share	\$ 0.42	\$ 0.47
Basic weighted average shares used in computation	415	414
Diluted income per common share	\$ 0.42	\$ 0.47
Diluted weighted average shares used in computation	417	415

Table 2
CA Technologies
Condensed Consolidated Balance Sheets
(in millions)

	June 30, 2017 <u>(unaudited)</u>	March 31, 2017
Cash and cash equivalents	\$ 2,971	\$ 2,771
Trade accounts receivable, net	461	764
Other current assets	180	198
Total current assets	\$ 3,612	\$ 3,733
Property and equipment, net	\$ 234	\$ 237
Goodwill	6,864	6,857
Capitalized software and other intangible assets, net	1,299	1,307
Deferred income taxes	313	327
Other noncurrent assets, net	154	149
Total assets	\$ 12,476	\$ 12,610
Current portion of long-term debt	\$ 18	\$ 18
Deferred revenue (billed or collected)	2,111	2,222
Other current liabilities	588	766
Total current liabilities	\$ 2,717	\$ 3,006
Long-term debt, net of current portion	\$ 2,770	\$ 2,773
Deferred income taxes	129	119
Deferred revenue (billed or collected)	772	794
Other noncurrent liabilities	219	229
Total liabilities	\$ 6,607	\$ 6,921
Common stock	\$ 59	\$ 59
Additional paid-in capital	3,660	3,702
Retained earnings	6,994	6,923
Accumulated other comprehensive loss	(399)	(483)
Treasury stock	(4,445)	(4,512)
Total stockholders' equity	\$ 5,869	\$ 5,689
Total liabilities and stockholders' equity	\$ 12,476	\$ 12,610

Table 3
CA Technologies
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in millions)

	Three Months Ended	
	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating activities:		
Net income	\$ 178	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
by operating activities:		
Depreciation and amortization	96	86
Deferred income taxes	5	3
Provision for bad debts	2	1
Share-based compensation expense	32	29
Other non-cash items	1	1
Foreign currency transaction losses (gains)	1	(2)
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade accounts receivable	308	193
Decrease in deferred revenue	(172)	(245)
Decrease in taxes payable, net	(56)	(38)
(Decrease) increase in accounts payable, accrued expenses and other	(5)	8
Decrease in accrued salaries, wages and commissions	(102)	(65)
Changes in other operating assets and liabilities, net	10	25
Net cash provided by operating activities	<u>\$ 298</u>	<u>\$ 194</u>
Investing activities:		
Acquisitions of businesses, net of cash acquired, and purchased software	\$ (6)	\$ (1)
Purchases of property and equipment	(12)	(8)
Net cash used in investing activities	<u>\$ (18)</u>	<u>\$ (9)</u>
Financing activities:		
Dividends paid	\$ (107)	\$ (107)
Purchases of common stock	-	(50)
Notional pooling (repayments) borrowings, net	(18)	4
Debt repayments	(5)	(4)
Debt issuance costs	(3)	-
Exercise of common stock options	1	10
Payments related to tax withholding for share-based compensation	(31)	(30)
Other financing activities	(3)	-
Net cash used in financing activities	<u>\$ (166)</u>	<u>\$ (177)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$ 88	\$ (44)
Increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 202</u>	<u>\$ (36)</u>
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 2,772</u>	<u>\$ 2,813</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,974</u>	<u>\$ 2,777</u>

Table 4
CA Technologies
Operating Segments
(unaudited)
(dollars in millions)

	Three Months Ended June 30, 2017			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 536	\$ 414	\$ 75	\$ 1,025
Expenses ⁽³⁾	187	381	74	642
Segment profit	\$ 349	\$ 33	\$ 1	\$ 383
Segment operating margin	65%	8%	1%	37%
Segment profit				\$ 383
Less:				
Purchased software amortization				58
Other intangibles amortization				10
Internally developed software products amortization				12
Share-based compensation expense				32
Other expenses, net ⁽⁴⁾				8
Interest expense, net				25
Income before income taxes				\$ 238

	Three Months Ended June 30, 2016			
	Mainframe Solutions ⁽¹⁾	Enterprise Solutions ⁽¹⁾	Services ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 551	\$ 371	\$ 77	\$ 999
Expenses ⁽³⁾	208	324	75	607
Segment profit	\$ 343	\$ 47	\$ 2	\$ 392
Segment operating margin	62%	13%	3%	39%
Segment profit				\$ 392
Less:				
Purchased software amortization				43
Other intangibles amortization				5
Internally developed software products amortization				23
Share-based compensation expense				29
Interest expense, net				15
Income before income taxes				\$ 277

- (1) The Company's Mainframe Solutions and Enterprise Solutions segments are comprised of its software business organized by the nature of the Company's software offerings and the platforms on which the products operate. The Services segment is comprised of product implementation, consulting, customer education and customer training services, including those directly related to the Mainframe Solutions and Enterprise Solutions software that the Company sells to its customers.
- (2) The Company regularly enters into a single arrangement with a customer that includes mainframe solutions, enterprise solutions and services. The amount of contract revenue assigned to operating segments is generally based on the manner in which the proposal is made to the customer. The software product revenue assigned to the Mainframe Solutions and Enterprise Solutions segments is based on either: (1) a list price allocation method (which allocates a discount in the total contract price to the individual products in proportion to the list price of the products); (2) allocations included within internal contract approval documents; or (3) the value for individual software products as stated in the customer contract. The price for the implementation, consulting, education and training services is separately stated in the contract and these amounts of contract revenue are assigned to the Services segment. The contract value assigned to each operating segment is then recognized in a manner consistent with the revenue recognition policies the Company applies to the customer contract for purposes of preparing the Consolidated Financial Statements.
- (3) Segment expenses include costs that are controllable by segment managers (i.e., direct costs) and, in the case of the Mainframe Solutions and Enterprise Solutions segments, an allocation of shared and indirect costs (i.e., allocated costs). Segment-specific direct costs include a portion of selling and marketing costs, licensing and maintenance costs, product development costs and general and administrative costs. Allocated segment costs primarily include indirect and non-segment specific direct selling and marketing costs and general and administrative costs that are not directly attributable to a specific segment. The basis for allocating shared and indirect costs between the Mainframe Solutions and Enterprise Solutions segments is dependent on the nature of the cost being allocated and is either in proportion to segment revenues or in proportion to the related direct cost category. Expenses for the Services segment consist of cost of professional services and other direct costs included within selling and marketing and general and administrative expenses. There are no allocated or indirect costs for the Services segment.
- (4) Other expenses, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Table 5
CA Technologies
Constant Currency Summary
(unaudited)
(dollars in millions)

	Three Months Ended June 30,			
	2017	2016	% Increase (Decrease) in \$ US	% Increase (Decrease) in Constant Currency ⁽¹⁾
Bookings	\$ 703	\$ 1,353	(48)%	(48)%
Revenue:				
North America	\$ 690	\$ 669	3%	3%
International	335	330	2%	4%
Total revenue	<u>\$ 1,025</u>	<u>\$ 999</u>	<u>3%</u>	<u>4%</u>
Revenue:				
Subscription and maintenance	\$ 817	\$ 826	(1)%	0%
Professional services	75	77	(3)%	(2)%
Software fees and other	133	96	39%	40%
Total revenue	<u>\$ 1,025</u>	<u>\$ 999</u>	<u>3%</u>	<u>4%</u>
Segment Revenue:				
Mainframe solutions	\$ 536	\$ 551	(3)%	(2)%
Enterprise solutions	414	371	12%	12%
Services	75	77	(3)%	(2)%
Total expenses before interest and income taxes:				
Total GAAP	\$ 762	\$ 707	8%	7%
Total non-GAAP ⁽²⁾	642	607	6%	6%

(1) Constant currency information is presented to provide a framework for assessing how the Company's underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than U.S. dollars are converted into U.S. dollars at the exchange rate in effect on March 31, 2017, which was the last day of the prior fiscal year. Constant currency excludes the impacts from the Company's hedging program.

(2) Refer to Table 7 for a reconciliation of total expenses before interest and income taxes to total non-GAAP operating expenses.

Certain non-material differences may arise versus actual from impact of rounding.

Table 6
CA Technologies
Reconciliation of Select GAAP Measures to Non-GAAP Measures
(unaudited)
(dollars in millions)

	Three Months Ended June 30,	
	<u>2017</u>	<u>2016</u>
GAAP net income	\$ 178	\$ 198
GAAP income tax expense	60	79
Interest expense, net	<u>25</u>	<u>15</u>
GAAP income before interest and income taxes	<u>\$ 263</u>	<u>\$ 292</u>
GAAP operating margin (% of revenue) ⁽¹⁾	26%	29%
Non-GAAP adjustments to expenses:		
Costs of licensing and maintenance ⁽²⁾	\$ 2	\$ 2
Cost of professional services ⁽²⁾	1	1
Amortization of capitalized software costs ⁽³⁾	70	66
Selling and marketing ⁽²⁾	10	10
General and administrative ⁽²⁾	12	11
Product development and enhancements ⁽²⁾	7	5
Depreciation and amortization of other intangible assets ⁽⁴⁾	10	5
Other gains, net ⁽⁵⁾	<u>8</u>	<u>-</u>
Total Non-GAAP adjustment to operating expenses	<u>\$ 120</u>	<u>\$ 100</u>
Non-GAAP income before interest and income taxes	<u>\$ 383</u>	<u>\$ 392</u>
Non-GAAP operating margin (% of revenue) ⁽⁶⁾	37%	39%
Interest expense, net	25	15
GAAP income tax expense	60	79
Non-GAAP adjustment to income tax expense ⁽⁷⁾	<u>42</u>	<u>29</u>
Non-GAAP income tax expense	<u>\$ 102</u>	<u>\$ 108</u>
Non-GAAP net income	<u><u>\$ 256</u></u>	<u><u>\$ 269</u></u>

(1) GAAP operating margin is calculated by dividing GAAP income before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(2) Non-GAAP adjustment consists of share-based compensation.

(3) For the three month periods ending June 30, 2017 and 2016, non-GAAP adjustment consists of \$58 million and \$43 million of purchased software amortization and \$12 million and \$23 million of internally developed software products amortization, respectively.

(4) Non-GAAP adjustment consists of other intangibles amortization.

(5) Non-GAAP adjustment consists gains and losses since inception of hedges that mature within the quarter, but excludes gains and losses of hedges that do not mature within the quarter.

(6) Non-GAAP operating margin is calculated by dividing non-GAAP income before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(7) The full year non-GAAP income tax expense is different from GAAP income tax expense because of the difference in non-GAAP income before income taxes. On an interim basis, this difference would also include a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise, but for non-GAAP such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 7
CA Technologies
Reconciliation of GAAP to Non-GAAP
Operating Expenses and Diluted Earnings per Share
(unaudited)
(in millions, except per share amounts)

<u>Operating Expenses</u>	Three Months Ended <u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Total expenses before interest and income taxes	\$ 762	\$ 707
Non-GAAP operating adjustments:		
Purchased software amortization	58	43
Other intangibles amortization	10	5
Internally developed software products amortization	12	23
Share-based compensation	32	29
Other expenses, net ⁽¹⁾	8	-
Total non-GAAP operating adjustment	<u>\$ 120</u>	<u>\$ 100</u>
Total non-GAAP operating expenses	<u>\$ 642</u>	<u>\$ 607</u>

<u>Diluted EPS</u>	Three Months Ended <u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
GAAP diluted EPS	\$ 0.42	\$ 0.47
Non-GAAP adjustments:		
Purchased software amortization	0.14	0.10
Other intangibles amortization	0.02	0.01
Internally developed software products amortization	0.03	0.06
Share-based compensation	0.08	0.07
Other expenses, net ⁽¹⁾	0.02	-
Tax effect of non-GAAP adjustments	(0.07)	(0.07)
Non-GAAP effective tax rate adjustments ⁽²⁾	(0.03)	-
Total non-GAAP adjustment	<u>\$ 0.19</u>	<u>\$ 0.17</u>
Non-GAAP diluted EPS	<u>\$ 0.61</u>	<u>\$ 0.64</u>

(1) Other expenses, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

(2) The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate, therefore no adjustment is required on an annual basis. On an interim basis, the difference in non-GAAP income tax expense and GAAP income tax expense relates to the difference in non-GAAP income before income taxes, and includes a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise but for non-GAAP purposes such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 8
CA Technologies
Effective Tax Rate Reconciliation
GAAP and Non-GAAP
(unaudited)
(dollars in millions)

	Three Months Ended June 30, 2017	
	<u>GAAP</u>	<u>Non-GAAP</u>
Income before interest and income taxes ⁽¹⁾	\$ 263	\$ 383
Interest expense, net	25	25
Income before income taxes	<u>\$ 238</u>	<u>\$ 358</u>
Statutory tax rate	35%	35%
Tax at statutory rate	\$ 83	\$ 125
Adjustments for discrete and permanent items ⁽²⁾	<u>(23)</u>	<u>(23)</u>
Total tax expense	<u>\$ 60</u>	<u>\$ 102</u>
Effective tax rate ⁽³⁾	25.2%	28.5%
	Three Months Ended June 30, 2016	
	<u>GAAP</u>	<u>Non-GAAP</u>
Income before interest and income taxes ⁽¹⁾	\$ 292	\$ 392
Interest expense, net	15	15
Income before income taxes	<u>\$ 277</u>	<u>\$ 377</u>
Statutory tax rate	35%	35%
Tax at statutory rate	\$ 97	\$ 132
Adjustments for discrete and permanent items ⁽²⁾	<u>(18)</u>	<u>(24)</u>
Total tax expense	<u>\$ 79</u>	<u>\$ 108</u>
Effective tax rate ⁽³⁾	28.5%	28.6%

(1) Refer to Table 6 for a reconciliation of income before interest and income taxes on a GAAP basis to income before interest and income taxes on a non-GAAP basis.

(2) The effective tax rate for GAAP generally includes the impact of discrete and permanent items in the period such items arise, whereas the effective tax rate for non-GAAP generally allocates the impact of such items pro rata to the fiscal year's remaining reporting periods.

(3) The effective tax rate on GAAP and non-GAAP income is the Company's provision for income taxes expressed as a percentage of GAAP and non-GAAP income before income taxes, respectively. The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate. On an interim basis, the effective tax rates are determined based on an estimated effective full year tax rate after the adjustments for the impacts of certain discrete items (such as changes in tax rates, reconciliations of tax returns to tax provisions and resolutions of tax contingencies).

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

Table 9
CA Technologies
Reconciliation of Projected GAAP Metrics to Projected Non-GAAP Metrics
(unaudited)

<u>Projected Diluted EPS</u>	<u>Fiscal Year Ending</u> <u>March 31, 2018</u>	
Projected GAAP diluted EPS range	\$ 1.70	to \$ 1.76
Non-GAAP adjustments:		
Purchased software amortization	0.55	0.55
Other intangibles amortization	0.10	0.10
Internally developed software products amortization	0.09	0.09
Share-based compensation	0.27	0.27
Tax effect of non-GAAP adjustments	(0.29)	(0.29)
Total non-GAAP adjustment	<u>\$ 0.72</u>	<u>\$ 0.72</u>
Projected non-GAAP diluted EPS range	<u>\$ 2.42</u>	to <u>\$ 2.48</u>
<u>Projected Operating Margin</u>	<u>Fiscal Year Ending</u> <u>March 31, 2018</u>	
Projected GAAP operating margin range	26%	to 27%
Non-GAAP operating adjustments:		
Purchased software amortization	5%	5%
Other intangibles amortization	1%	1%
Internally developed software products amortization	1%	1%
Share-based compensation	3%	3%
Total non-GAAP operating adjustment	<u>10%</u>	<u>10%</u>
Projected non-GAAP operating margin	<u>36%</u>	to <u>37%</u>

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.